

TOWN OF HOOKSETT, NEW HAMPSHIRE

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2017



To the Town Council and Management of the
Town of Hooksett, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hooksett, New Hampshire, as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Hooksett, New Hampshire's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hooksett, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Hooksett, New Hampshire's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected in corrected, on a timely basis. We consider the significant deficiencies in comment 1 to be material weaknesses:

1. Improve Controls Over Tax Collection and Reporting (Material Weakness):

- During testing of property tax revenue, we noted the Tax collector reports collections to the Finance Office on a weekly basis. This report includes documentation from the tax collection software, as well as bank deposit advice. Although the Finance Department performs internal audits of tax collections to deposits for the week in total, weekly reporting will not identify errors or irregularities that may have occurred and reversed in the reporting period.

We recommend the tax collections receipts are reported to the Finance Department on a daily basis. We understand reporting daily will increase the volume of work performed by both the Tax Collector's Office and the Finance Department. However, implementation of this recommendation should consider whether the Town can implement electronic transfer of information from the tax collection system to the Town's general ledger.

- Within the Tax Collector's Office, all employees share a common cash drawer. Because of the common cash drawer, errors or irregularities cannot be assigned to an individual employee.

We recommend the Town implement a control that assigns a separate cash drawer to each employee. As a result, the improved control will help identify sources of errors or irregularities more timely. Further, the Town will be able to manage individual employee performance more efficiently.

- At the end of each day, cash receipts are removed from the cash drawer and placed in a locked file cabinet. The following day, cash receipts are reconciled (“cashed out”) to supporting documentation. During the evening, these funds can be modified or destroyed by anyone with access to the locked file cabinet. Additionally, the cash receipt system is not “closed,” which allows for modifications to cash receipts during the evening. As a result, errors or irregularities can occur and go undetected.

When a clerk is reconcile yesterday’s cash receipts to the collection system, they are also collecting receipts for the current day. This process allows for commingling of funds or using current receipts to cover shortfalls for prior receipts.

We recommend the Town reconcile all cash drawers at the end of the business day. We also recommend the cash collection system be “closed” in such a way that prevents modification. Implementation of this control will improve the likelihood that errors or irregularities will be detected timely.

- The cash collection system allows for modification of “batches,” even after the verification of cash receipts to the cash drawer. This process allows a person to conduct theft of funds from the moment of “cash out” to the moment of reporting receipts to the Finance Office (through their weekly reporting process).

We recommend the Town contact their software provider and discuss this weakness.

Town Response – I am now processing daily closeout reports to the Finance Department effective October of this year. I am also looking into upgrading our BMSI software.

I agree with the assessment that we should not have just one cash register or drawer. I will be implementing the changeover to individual cash drawers within the New Year. Regarding end of the day (“cash out”) procedures, each clerk is responsible for closing out their property tax posting journals every night and motor vehicle, checks and other post of sale transactions are added up and checked against the reports for balancing periodicity during the day. Once we transition over to individual cash drawers each clerk will be responsible for closing out their own cash, checks and motor vehicle transactions at the end of the business day. I am looking into individual combination lock cash drawers, this type of locking drawer would prevent anyone else from accessing the cash in a drawer that is not their own. This drawer can then be locked in our locked filing cabinet at night. I am in the process of writing a standard operating procedure (SOP) for the office regarding individual cash drawers, close outs and audits.

2. Improve Data Entry of Tax Collections:

At year-end, outstanding taxes reported on the Tax Collector’s MS-61 (a form used to report tax activity to the New Hampshire Department of Revenue Administration) differs to the general ledger by \$85,335. Additionally, a detail report of outstanding taxes is lower than the MS-61. During testing of tax collection cut-off, we noted the Tax Collector back dated a transaction that

caused this discrepancy. Back dating the transaction was due to an abatement settlement, however, it should have been entered into the collection system in a way not to affect year-end balances.

We recommend the Tax Collector enter receipts with a batch date the same as the date of collection. Any change necessary to the interest calculation date should be modified within each transaction in the batch.

Town Response – The reference to the back dating of the tax journal was due to the abatement that was referenced. Now that I am aware of the issues with this type of backdating of the entire tax journal, it will not be done again. Also the Clerk, Deputy Tax Collector and the Clerk-Deputy Town Clerk are now posting payments into their own tax journals. This will allow for posting to be kept current and allow for the date of the tax journals to be the same as the date that the work was received.

This communication is intended solely for the information and use of management, the Town Council, and others within the Town of Hooksett, New Hampshire, and is not intended to be, and should not be, used by anyone other than these specified parties.

Angel & company LLC

Ashland, New Hampshire
December 27, 2017